



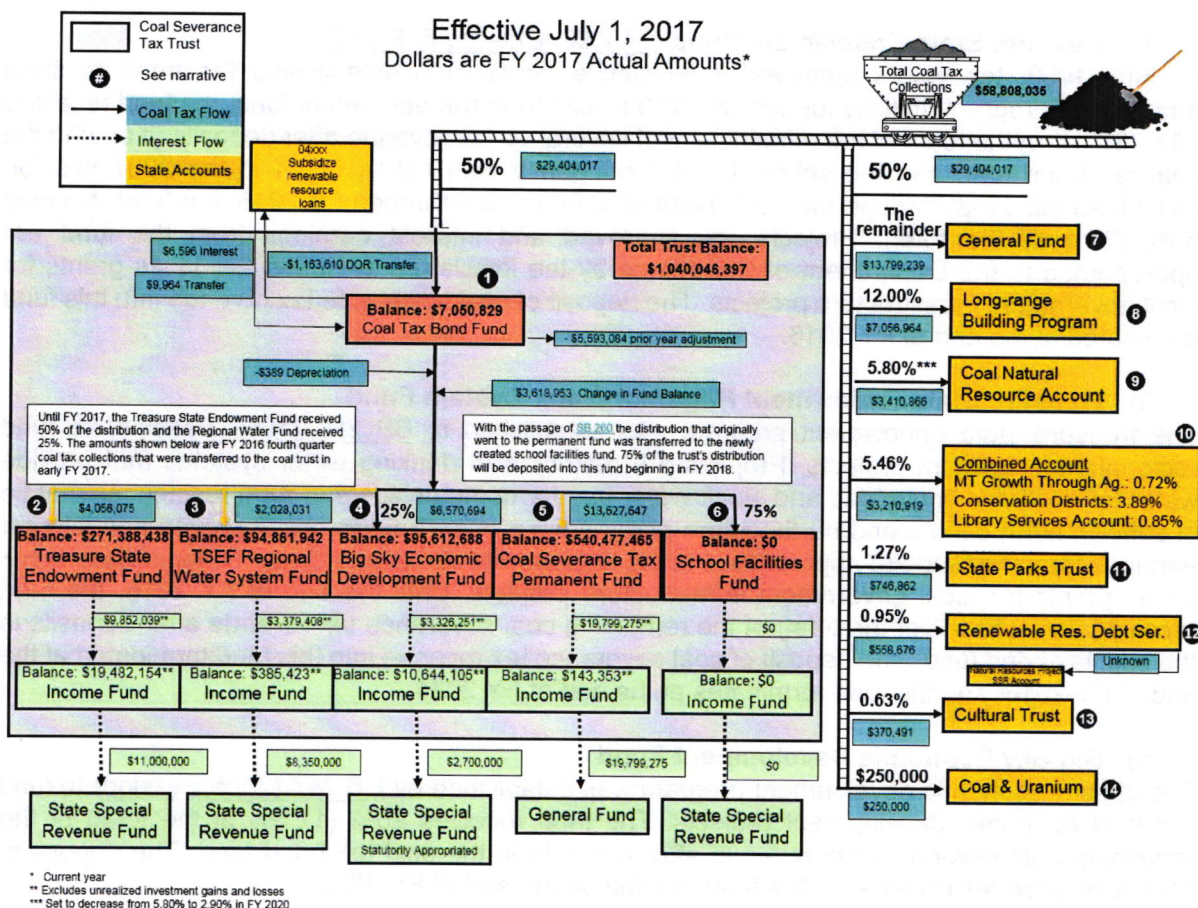
# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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Director  
AMY CARLSON

## COAL SEVERANCE TAX TRUST FUND



As directed by [Article IX, Section 5](#) of the Montana Constitution, the coal severance tax trust fund receives 50% of total coal severance tax collections. The money flows through sub-trust funds within the trust. These sub-trusts are:

### 1) Coal Tax Bond Fund ([Title 17, Chapter 5, Part 7](#))

The legislature authorizes the sale of coal severance tax bonds to finance renewable resource projects ([Title 85, Chapter 1, Part 6](#)) and local government infrastructure projects ([Title 90, Chapter 6, Part 7](#)). A maximum of \$250 million in bonds is authorized as loans for renewable resource projects ([17-5-719, MCA](#)) to provide:



- a healthy economy;
- alleviation of social and economic impacts created by coal development; and
- a clean and healthful environment

The total amount of outstanding principal of renewable resource bonds at any time cannot exceed \$30 million ([85-1-624, MCA](#)). An amount equal to the following year's principal and interest payments is maintained in the fund. Money in the fund is pledged to pay the debt service on the bonds if interest and principal payments by the loan recipients are insufficient to fully pay the debt service. Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to the Department of Natural Resources and Conservation (DNRC) in HB 8.

## **2) Treasure State Endowment Fund ([Title 90, Chapter 6, Part 7](#))**

In June 1992, the voters approved a legislative referendum establishing the treasure state endowment program. Initially funded with \$10 million from the permanent fund, the fund received 75% (37.5% of the total) of the remaining coal severance tax revenue after deposits (if any) to the coal tax bond fund and the school bond contingency loan fund (HB 44 in the 2007 session eliminated this fund) through the 2003 biennium. From then through FY 2016, the fund received 50% (25% of the total). Projects are approved and interest earnings from the fund are appropriated to the Department of Commerce by the legislature in House Bill 11 as grants for local government infrastructure projects. The deposit of coal severance tax revenue into this fund terminated at the end of FY 2016.

## **3) Treasure State Endowment Regional Water System Fund**

The treasure state endowment program was established in [SB 220 \(1999 Session\)](#) to fund regional water system projects. Projects are restricted to drinking water systems that provide water for domestic, industrial, and stock water use for communities and rural residences that lie in specific north central and northeastern geographic areas. Projects are approved and interest earnings from the fund are appropriated to the Department of Commerce by the legislature in HB 11 as grants for local government infrastructure projects. Until the end of FY 2016, the fund received 25% (12.5% of the total) of the remaining coal severance tax revenue after deposits in the coal tax bond fund. The deposit of coal severance tax revenue into this fund terminated at the end of FY 2016, and the fund terminates at the end of FY 2031.

## **4) Big Sky Economic Development Fund**

The big sky economic development program was established by [HB 249 \(2005 Session\)](#) to fund qualified economic development projects. The fund receives 25% (12.5% of the total) of the remaining coal severance tax revenue after deposits in the coal tax bond fund. The deposit of coal severance tax revenue to this fund terminates the end of FY 2025.

Grants and loans are available to local governments for economic development projects and to certified regional development corporations for the purposes of:

- 1) creating good-paying jobs for Montana residents;
- 2) promoting long-term, stable economic growth;
- 3) encouraging local economic development organizations; and
- 4) retaining or expanding existing businesses

Interest earnings are deposited to a state special revenue fund and are statutorily appropriated to the Department of Commerce to pay administrative expenses with the remainder for:

- 75% to local governments to be used for job creation; and
- 25% to certified regional development corporations and economic development organizations



### **5) Permanent Fund**

Prior to the establishment of the previous four funds, all the coal severance tax revenue distributed to the trust fund was deposited to the permanent fund. From FY 2006 to FY 2016 no coal severance tax revenue was deposited to the fund. In FY 2017, the permanent fund received 75% of the remaining coal severance tax revenue after deposits in the coal tax bond fund. Interest earnings from the fund, audit revenue, and interest and penalties are deposited to the general fund. After a \$1.275 million general fund transfer to the research and commercialization account created in [90-3-1002](#), the remaining interest income from the permanent fund deposited into the general fund is statutorily appropriated as follows:

- \$65,000 to the cooperative development center;
- \$625,000 for the growth through agriculture program provided for in [Title 90, chapter 9](#);
- to the Department of Commerce for specific projects:
  - \$125,000 for a small business development center;
  - \$50,000 for a small business innovative research program;
  - \$425,000 for certified regional development corporations;
  - \$200,000 for the Montana manufacturing extension center at MSU-Bozeman; and
  - \$300,000 for export trade enhancement
- After the above payments, the remainder is deposited into the state general fund.

### **6) School Facilities Fund**

The school facilities fund was created with the passage of [SB 260 \(2017 Session\)](#). Interest from the fund may be used only for school facility projects authorized by the legislature. Beginning in FY 2018, the school facilities fund will receive 75% of the coal tax allocation to the coal trust fund.

## **Coal Severance Tax Related Funds**

The other 50% of the coal severance tax revenue is distributed to the following funds outside of the coal severance tax trust fund ([15-35-108, MCA](#))

### **7) General Fund (the remainder after all other allocations)**

After allocations are made to the coal trust and state special funds, the remaining coal severance tax collections are distributed to the state general fund.

### **8) Long-range Building Program Account (12.00%)**

Coal severance tax revenue in this account can be used for long-range building projects or for general obligation bond debt service. The legislature appropriates the money in HB 5 to finance building projects at universities, vocational education institutions, state buildings and state institutions. Debt service payments are statutorily appropriated and are currently servicing debt for capitol restoration, the UM pharmacy and psychology, and chemistry buildings, MSU central heating plant and underground utilities, Montana state prison expansion, and regional correctional facilities.

### **9) Coal Natural Resource Account (2.90% increased to 5.8% in FY 2018 and FY 2019)**

Created in [HB 758 \(2005 Session\)](#) and amended by [SB 23 \(2009 Session\)](#), the account receives a portion of the coal severance tax revenue. Money in the account is appropriated to the coal board in HB 2 for local impact grants and administrative costs. Due to [SB 100 \(2009 Session\)](#), the coal tax allocation was doubled to 5.80% beginning FY 2010. After September 2013, the allocation decreased to 2.9%. The allocation was increased to 5.8% for FY 2016 and FY 2017, and again for FY 2018 and FY 2019 with the passage of [HB 209 \(2017 Session\)](#).

#### **10) Combined Account (5.46%)**

The money is distributed to the conservation districts program within the Department of Natural Resources and Conservation on the basis of need. It is also distributed to the Montana Growth through Agriculture program and the State Library Commission. Beginning in FY 2018 there is no longer a combined account. Instead, separate funds were created for the three programs in the old combined account with set distribution percentages as follows:

- Conservation Districts Fund (3.89%)
- Basic Library Services Fund (0.85%)
- Growth through Agriculture Fund (0.72%)

#### **11) State Parks Trust (1.27%)**

The distribution to this trust is for the purpose of parks acquisition or management. Interest earnings from the trust is appropriated to the Department of Fish, Wildlife, and Parks (FWP) by the legislature in HB 2 and HB 5 for the acquisition, development, operation, and maintenance of state parks, recreational areas, public camping grounds, historic sites, and monuments.

#### **12) Renewable Resource Debt Service Fund (0.95%)**

Money in this fund is used to service debt on coal severance tax bonds used to finance renewable resource projects. This is in addition to any coal tax paid from the Coal Tax Bond Fund (1 above). Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to DNRC in HB 8.

#### **13) Cultural Trust (0.63%)**

The distribution to this trust is for the purpose of protecting works of art in the capitol and for other cultural and aesthetic projects. Interest earnings from the trust are appropriated to the Montana Arts Council by the legislature in HB 9 for these purposes.

#### **14) Coal and Uranium Mine Permitting and Reclamation Program (\$250,000)**

Enacted by [HB 688 \(2007 Session\)](#), coal severance tax revenue is deposited to the state special revenue account and appropriated in HB 2 to the Department of Environmental Quality (DEQ) to administer and enforce coal and uranium mine reclamation ([82-4-244, MCA](#)).

For more information on the Coal Trust Fund, please contact Sam Schaefer at 406-444-1787.